

Message Text

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ACTION EB-07

INFO OCT-01 IO-11 AF-06 ARA-06 EA-07 EUR-12 NEA-10 ISO-00

FEA-01 AGR-05 CEA-01 CIAE-00 COME-00 DODE-00 FRB-03

H-02 INR-07 INT-05 L-03 LAB-04 NSAE-00 NSC-05 PA-01

AID-05 CIEP-01 SS-15 STR-04 ITC-01 TRSE-00 USIA-06

PRS-01 SP-02 OMB-01 SAM-01 /134 W

----- 054835

R 201615Z FEB 76

FM USDEL MTN GENEVA

TO SECSTATE WASHDC 1169

INFO AMEMBASSY BERN

AMEMBASSY BONN

AMEMBASSY BRUSSELS

USMISSIN EC BRUSSELS

AMEMBASSY CANBERRA

AMEMBASSY COPENHAGEN

AMEMBASSY DUBLIN

AMEMBASSY THE HAGUE

AMEMBASSY LUXEMBOURG

AMEMBASSY LUXEMBOURG

AMEMBASSY OTTAWA

AMEMBASSY PARIS

USMISSION OECD PARIS

AMEMBASSY ROME

AMEMBASSY TOKYO

AMEMBASSY WELLINGTON 520

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PASS STR, AGRICULTURE, H PASS CODEL

E.O. 11652: NA

TAGS: ETRD GATT

SUBJ: MTN SUBGROUP DAIRY PRODUCTS-FEB 16-19 MEETING

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REF: STATE 31823, STATE 38008

1. SUMMARY. THE SUBGROUP ON DAIRY PRODUCTS MET FEB 16-19. THE SUBGROUP CONTINUED ITS ANALYSIS OF TRADE MEASURES IN THE DAIRY SECTOR BY EXAMINING THOSE APPLIED IN HUNGARY, AUSTRIA, ROMANIA, BRAZIL AND SPAIN. IN THE SECOND PART OF ITS MEETING, THE SUBGROUP DISCUSSED VARIOUS ASPECTS OF THE PROPOSALS BEFORE IT. THE DISCUSSION INDICATED STRONG INTEREST BY MOST COUNTRIES TO CONCENTRATE IN THE NEXT PHASE OF WORK ON A REVIEW OF THE EXISTING INTERNATIONAL DAIRY ARRANGEMENTS. THE EC ATTEMPTED THROUGH A PROCEDURAL PROPOSAL TO SHIFT FOCUS OF FUTURE WORK PRIMARILY ON COMMODITY AGREEMENTS. LENGTHY DRAFTING SESSION WAS REQUIRED TO IRON OUT PROPOSED CHAIRMAN'S SUMMING-UP WHICH WAS BIASED IN FAVOR OF EC PROPOSAL. FINALLY, AGREEMENT SATISFACTORY TO US WAS REACHED. FULL TEXT (SEPTEL) END SUMMARY

2. THE SUBGROUP ON DAIRY PRODUCTS BEGAN ITS MEETING ON FEB 9 WITH AN EXAMINATION OF THE TRADE MEASURES MAINTAINED BY HUNGARY, AUSTRIA, ROMANIA, BRAZIL, AND SPAIN. IN THE COURSE OF THIS EXAMINATION THE QUESTION AROSE WHETHER STATE TRADING IS INHERENTLY RESTRICTIVE. BOTH HUNGARY AND ROMANIA OBJECTED TO REFERENCES TO STATE TRADING IN THE "EXPORT RESTRICTIONS" AND "QUANTITATIVE IMPORT RESTRICTIONS" COLUMNS OF MTN/DP/W/9, PARTICULARLY SINCE REFERENCE TO STATE TRADING WAS ALREADY MADE IN THE "CENTRAL TRADING" COLUMN. SEVERAL DELEGATIONS, INCLUDING THE US, SAID THAT THE COLUMNS COULD NOT BE LEFT ENTIRELY BLANK, AND IT WAS AGREED THAT THEY WILL INDICATE THE SPECIFIC MEASURE THROUGH WHICH TRADE IS CONTROLLED (IE, LICENSING, TENDER SYSTEM) IN THESE COUNTRIES.

3. DURING THE DISCUSSION OF THE AUSTRIAN SYSTEM, THE EC ASKED IF AUSTRIA WAS SATISFIED WITH THE OUTCOME OF THE COUNTERVAILING DUTY ACTION BY THE US AGAINST AUSTRIAN CHEESES. AUSTRIAN DEL (GRATCHEK) REPLIED THAT THEY WERE VERY SATISFIED. AUSTRIA INDICATED THAT, BECAUSE OF LOW PRICES SUBSIDIZED IMPORTS OF CHEESE INTO AUSTRIA AND BECAUSE AUSTRIA DOES NOT HAVE A COUNTERVAILING DUTY LAW, AUSTRIA MAY HAVE TO UNBIND ITS DUTY ON CERTAIN LIMITED OFFICIAL USE
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CHEESES (04.04A3) BY INCREASING THE VARIABLE LEVY BEYOND THE PRESENT BOUND DUTY CEILING. THE EXAMINATION ALSO SHOWED THAT SOME OF THE DOCUMENTATION SUBMITTED BY THE COUNTRIES EXAMINED IN THIS AND THE PREVIOUS MEETING AND CONTAINED IN MTN/DP/W/9, IS NOT COMPLETE. IT, THEREFORE, WAS AGREED THAT THE SECRETARIAT'S DOCUMENT (MTN/DP/W/9) WILL BE REVISED. DELEGATIONS WERE INVITED TO SUBMIT ADDITIONAL INFORMATION IN ORDER TO COMPLETE AND UPDATE THE SUMMARY (SEE STATE 038008).

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4. IN THE ENSUING DISCUSSION OF THE ELEMENTS OF THE
VARIOUS PROPOSALS MADE PREVIOUSLY, EC (ACQUOT) REQUESTED
THAT THE US INDICATE THE COUNTRIES AND DAIRY PRODUCTS
FOR WHICH THE APPLICATION OF COUNTERVAILING DUTIES
HAS BEEN TEMPORARILTY WAIVED AND THAT THESE WAIVERS BE
RECORDED IN THE SECRETARIAT'S DOCUMENT (MTN/DP/W/9) AS
DISCRIMINATORY MEASURES. US DEL (KOENIG) STATED THAT
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THE WHOLE COMPLEX OF EXPORT SUBSIDIES/COUNTERVAILING DUTIES IS STILL UNDER REVIEW AND ALSO THE SUBJECT OF NEGOTIATIONS IN THE NTM SUBGROUP ON SUBSIDIES AND COUNTERVAILING DUTIES. THESE ISSUES ENCOMPASS NOT ONLY DAIRY PRODUCTS. FOR THESE REASONS, IT WOULD BE PREMATURE TO DISCUSS SPECIFIC COUNTERVAILING DUTY MEASURES IN THE DAIRY SUBGROUP. THE US WOULD NOT OBJECT TO MENTIONING THE POSSIBILITY OF IMPOSING COUNTERVAILING DUTIES ON SUBSIDIZED DAIRY IMPORTS IN THE SECRETARIAT'S DOCUMENT. HOWEVER, TO SPECIFY COUNTERVAILING DUTIES BY PRODUCT AND COUNTRY WOULD BE INAPPROPRIATE. TO LABEL THEM DISCRIMINATORY IS UNACCEPTABLE. IT WOULD BE MORE APPROPRIATE TO CALL THE BILATERAL AGREEMENTS BETWEEN THE EC AND A NUMBER OF OTHER COUNTRIES DISCRIMINATORY.

5. THE DEBATE THEN TURNED TO THE EXISTING GATT AND OECD ARRANGEMENTS FOR SKIM MILK AND WHOLE MILK POWDER AND BUTTERFAT. NEW ZEALAND DEL (FALCONER) SUGGESTED THAT THESE ARRANGEMENTS BE EXAMINED IN ORDER TO DETERMINE THEIR WEAKNESSES WITH A VIEW TO IMPROVE THEIR EFFECTIVENESS. NEW ZEALAND DEL SAW THE MAJOR WEAKNESSES OF THESE ARRANGEMENTS IN THE FACT THAT MAJOR DAIRY TRADING COUNTRIES DO NOT PARTICIPATE IN THEM; THAT THE MINIMUM PRICES HAVE NOT ACTED AS A CHECK ON EXPORT SUBSIDIES; THAT THE MINIMUM PRICE ARRANGEMENTS DO NOT REFLECT THE UNDERLYING MARKET CONDITIONS; AND THAT THESE ARRANGEMENTS HAVE NOT CONTRIBUTED TO RESOLVING THE PRESENT SURPLUS PROBLEMS IN THE SKIM MILK POWDER SECTOR.

6. EC STATED THAT THESE ARRANGEMENTS COULD BE INDEED IMPROVED. ACCORDING TO THE EC THEY SHOULD COVER ALL HOMOGENEOUS DAIRY PRODUCTS. BUTTER SHOULD THEREFORE ALSO BE SUBJECT TO THESE AGREEMENTS. THE AGREEMENTS WOULD BENEFIT IF THE EXISTING MINIMUM PRICE ARRANGEMENTS WERE COMPLEMENTED BY MAXIMUM PRICE ARRANGEMENTS SO AS TO PROTECT CONSUMERS. THE EC STATED THAT CHEESES, IN VIEW OF THEIR HETEROGENEITY, ARE NOT SUITABLE FOR INTERNATIONAL ARRANGEMENTS. EC PUT FORWARD A PROCEDURAL PROPOSAL (SEPTEL) FOR THE SUBGROUP TO AGREE ON WORK DEALING WITH MEANS OF IMPROVING AND EXTENDING THE EXISTING INTERNATIONAL ARRANGEMENTS ON DAIRY PRODUCTS. THIS PROPOSAL WAS MADE,

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ACCORDING TO THE EC, ONLY TO ENABLE A MORE ORDERLY DISCUSSION THAN HAD TAKEN PLACE AT THE CURRENT SESSION.

7. AUSTRALIA(HOOTON) SAID THAT THE WORKING OF THE EXISTING INTERNATIONAL ARRANGEMENTS WOULD BE IMPROVED IF THERE WERE A BETTER CONTROL OF SURPLUSES. HE SAID THAT, HOWEVER DESIRABLE AND NECESSARY IMPROVEMENTS IN THE EXISTING INTERNATIONAL ARRANGEMENTS MAY BE, THESE IMPROVEMENTS CANNOT TAKE THE PLACE OF BETTER ACCESS TO THE WORLD'S IMPORT MARKETS. AUSTRALIA THEN PROPOSED THAT TARIFFS, QUOTAS, STATE TRADING, SUBSIDIES AND COUNTERVAILING DUTIES SHOULD BE SYSTEMATICALLY EXAMINED BY THE SUBGROUP IN ORDER TO FIND POSSIBLE SOLUTIONS TO TRADING PROBLEMS.

8. US AND JAPAN (YOSHIKUNI) EXPRESSED DISAPPOINTMENT THAT NONE OF THE EXPORTING COUNTRIES HAD MADE CONCRETE AND SPECIFIC PROPOSALS FOR PROCEEDING AND THAT THE STATEMENTS BY NEW ZEALAND, AUSTRALIA AND THE EC REFLECTED MERELY IDEAS WHICH HAVE BEEN BROACHED BEFORE.

9. IN REPLY, THE EC STATED THAT THERE CANNOT BE A SINGLE SOLUTION FOR THE VARIOUS DAIRY PRODUCTS. ONE SOLUTION WOULD, HOWEVER, CONSIST OF ARRANGEMENTS THAT WOULD ELIMINATE RECOURSE TO COUNTERVAILING DUTIES. THE EC THEN ASKED POINTEDLY WHETHER THE UNITED STATES COULD EXPLAIN WHAT IS MEANT BY THE STATEMENT " THAT THE US IS PREPARED TO EXPLORE POSSIBILITIES FOR LIBERALIZING DAIRY QUOTAS IN THE CONTEXT OF MULTILATERAL SOLUTIONS PROVIDED THAT OTHER COUNTRIES ARE ALSO WILLING TO LIBERALIZE THEIR TRADING PRACTICES"., WHY THE US CONSIDERS THAT THEIR WAIVER IS NOT WITHIN THE TERMS OF REFERENCE OF THIS GROUP; AND WHETHER THE US WISHES, LIKE THE COMMUNITY, TO ASSUME EQUIVALENT COMMITMENTS.

10. US DEL REPLIED THAT THE WAIVER IS PART OF A BROADER JURIDICAL CONTEXT AND THAT THE US COULD LIBERALIZE IN THE DAIRY SECTOR AS IT HAS DONE IN OTHER SECTORS WITHOUT FOREGOING THE WAIVER. AS REGARDS EQUIVALENT COMMITMENTS, THE US WOULD LIKE TO KNOW WHETHER IN CASE THE US WERE TO REDUCE OR ABOLISH ITS IMPORT QUOTAS FOR DAIRY PRODUCTS, THE COMMUNITY WOULD REDUCE OR ABOLISH VARIABLE LEVIES FOR LIMITED OFFICIAL USE

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DAIRY IMPORTS. EC REPLIED THAT WHILE IT COULD CONCEIVE OF CERTAIN LEVY ADJUSTMENTS, IT COULD DEFINITELY NOT ASSUME A COMMITMENT REDUCING, BINDING OR ENTIRELY ABOLISHING LEVIES ON DAIRY IMPORTS.

11. REFERRING TO INTERNATIONAL PRICE AGREEMENTS, US DEL QUESTIONED THE MERITS OF SUCH ARRANGEMENTS, IF RESPECT FOR MINIMUM EXPORT PRICES CAN BE ACHIEVED ONLY THROUGH MIXING REGULATIONS, SUCH AS THOSE PROPOSED BY EC COMMISSION,

WHICH WOULD ADVERSELY AFFECT TRADE IN OTHER PRODUCTS AND VIOLATE EC GATT COMMITMENTS PREVIOUSLY UNDERTAKEN. US SUGGESTED THAT RATHER THAN LOOKING AT THE PRICES FOR NON-FAT DRY MILK, THE SUBGROUP MAY WISH TO CONCENTRATE ON SOLUTIONS OF THE SURPLUS PROBLEM WHICH ARE NOT TO THE DETRIMENT OF OTHER COUNTRIES AND OTHER COMMODITIES.

12. AT THIS POINT OF DEBATE EC MADE NOTEWORTHY STATEMENT THAT THE 1962 GRAIN STANDSTILL ARRANGEMENTS, WHICH EC CALLED EXCHANGE OF LETTERS BETWEEN US AND EC, REPRESENT EC PAYMENT (SIC) TO US FOR RIGHT TO ESTABLISH VARIABLE LEVIES. THUS, ACCORDING TO EC, VARIABLE LEVIES ARE LEGITIMATE UNDER GATT.

13. LATE IN THE MEETING, EC SUGGESTED THAT EACH DEL BE REQUESTED TO SUPPLY MORE DETAILED INFORMATION ON ITS TRADE SYSTEM FOR CHEESE THAN CONTAINED IN MTN/DP/W/9 AS WELL AS TRADE STATISTICS FOR A SERIES OF YEARS. THIS INFORMATION SHOULD CONTAIN COMPLETE DESCRIPTIONS OF

ALL ASPECTS OF THE DOMESTIC CHEESE SUPPORT SYSTEM AND THE IMPORT AND EXPORT MEASURES APPLIED. INCLUDING SUCH MEASURES AS COUNTERVAILING DUTIES. THIS SUGGESTION WAS TO BE INCLUDED IN THE CHAIRMAN'S SUMMING-UP BUT WAS WITHDRAWN BY THE EC AFTER THE US ASKED SEVERAL TIMES WHETHER EC WOULD BE WILLING TO INCLUDE AD VALOREM EQUIVALENTS FOR ITS VARIABLE LEVIES IN THIS DOCUMENTATION.

14. LENGTHY RESTRICTED SESSIONS WERE REQUIRED TO AGREE ON A BALANCED SUMMING-UP BY THE CHAIRMAN (SEPTTEL). THE INITIAL SUMMING-UP PROPOSED BY CHAIRMAN (LUCQ) WAS HEAVILY WEIGHTED TOWARD DISCUSSION OF INTERNATIONAL LIMITED OFFICIAL USE

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ARRANGEMENTS.

15. THE SUBGROUP UPON EC REQUEST AGREED TO MEET AGAIN JUL 12-16 AND ALSO AGREED TO HOLD INFORMAL CONSULTATIONS IN THE MEANTIME. WALKER

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Message Attributes

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Draft Date: 20 FEB 1976
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Disposition Approved on Date:
Disposition Authority: GolinoFR
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
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Film Number: D760065-0049
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Handling Restrictions: n/a
Image Path:
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Legacy Key: link1976/newtext/t19760230/aaaaazyh.tel
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